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9 Verus U.S.A., LLC

10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 SPIGEN KOREA CO., LTD, a Republic
13 of Korea corporation,

14 Plaintiff

15 v.

16 ISPEAK CO., LTD., a Republic of Korea
17 corporation; VERUS U.S.A., LLC, a
18 California limited liability company ; and
19 DOES 1 through 10, inclusive,

20 Defendants

21 VERUS U.S.A., LLC, a California limited
22 liability company,

23 Counter-Plaintiff

24 v.

25 SPIGEN KOREA CO., LTD, a Republic
26 of Korea corporation,

27 Counter-Defendant
28

CASE NO.: 8:15-CV-01050 DOC
(DFMx)

DEFENDANT VERUS U.S.A.,
LLC'S MOTION AND
MEMORANDUM OF
POINTS AND
AUTHORITIES IN
SUPPORT OF ITS MOTION
FOR SANCTIONS UNDER
FED.R.CIV.P. 11

The Honorable David O. Carter

Dept: 9D

Date: December 7, 2015

Time: 8:30 a.m.

TO: THE HONORABLE DAVID O. CARTER, JUDGE, ALL PARTIES AND
THEIR ATTORNEYS OF RECORD:

**MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF
MOTION FOR SANCTIONS UNDER FED.R.CIV.P. 11**

I. INTRODUCTION

This is a patent infringement case. Spigen Korea Co., Ltd. (“Plaintiff” or “Spigen”) is suing Verus U.S.A., LLC (“Defendant” or “Verus”) et al. for infringement of U.S. Patent No. 9,049,283 (“patent in suit”). *See* complaint for patent infringement relief sought in this action; *see also* Exhibit 1 to this motion (the patent in suit). As explained below, in view of a prior art reference intentionally withheld by Plaintiff from the U.S. Patent and Trademark Office (“USPTO”), Plaintiff obtained the patent in suit by engaging in inequitable conduct and so the patent in suit is unenforceable. Furthermore, the evidence on this motion establishes most of the claims of the patent in suit are invalid in view of the prior art.

By this motion, Defendant requests the Court to award sanctions including attorneys’ fees under Fed.R.Civ.P. 11 against Plaintiff and its counsel (Plaintiff and its counsel are referred to herein collectively as “Spigen”).¹ If Spigen had

¹ Verus brings this motion without waiving its rights to seek relief under (1) 35 U.S.C. § 285 to have this case deemed “exceptional,” so as to recover its attorneys’ fees, costs and other expenses, (2) 28 U.S.C. § 1928 for the same recovery, and/or (3) the Court’s inherent authority to award sanctions. *See, e.g., Octane Fitness LLC v. Icon Health Fitness Inc.*, 134 S. Ct. 1749, 1758 (2014)

1 conducted a reasonable pre-lawsuit inquiry, or given sufficient consideration to the
 2 warnings, facts, law and legal analysis provided by Defendant before this motion
 3 was filed, Spigen could not have reasonably concluded that there was a proper basis
 4 for bringing or maintaining this action. Therefore, at the conclusion of this action,
 5 Verus requests that the Court award all of the costs, attorneys' fees, expert fees, and
 6 other expenses that Verus has, and will have incurred, resulting from this lawsuit.
 7 Verus intends to submit a detailed itemization of those expenses at the appropriate
 8 time.
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12 **II. FACTUAL BACKGROUND**

13 **A. Summary of Facts and Issues**

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 15 Spigen obtained the patent in suit while withholding Korean Utility Model
 16 no. 20-0472435 ("KUM '435"), as well as Defendant's sales of the products
 17 essentially described in KUM '435. *See* Exhibit 2 (KUM '435 and an English
 18 translation thereof); Park declaration, ¶¶ 2 and 3. KUM '435 was published before
 19 the effective filing date of the patent in suit and is thus prior art to the patent in suit.
 20
 21 *See* 35 U.S.C. 102(a)(1); Exhibit 2, at item "(45)" (showing "Publication Date
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24 (lowering the standard for awarding attorneys' fees in patent infringement cases under 35 U.S.C. §
 25 285) (also stating that "[w]e have long recognized a common-law exception to the general
 26 American rule against fee-shifting-an exception, inherent in the power [of] the courts that applies
 27 for willful disobedience of a court order or when the losing party has acted in bad faith,
 28 vexatiously, wantonly, or for oppressive reasons") (citations and quotations omitted); *see also*
Cambrian Sci. Corp. v. Cox Communications, Inc., 2015 U.S. Dist. LEXIS 4415, at *3 (C.D. Cal.
 Jan. 6, 2015) (awarding fees under *Octane Fitness* standard); *Ceiva Logic Inc. v. Frame Media*
Inc., 2014 U.S. Dist. LEXIS 176328, at *10 (C.D. Cal. Dec. 19, 2014) (same).

1 April 28, 2014” for KUM ‘435); Exhibit 1, at item “(60)” (showing “provisional
2 application” date of “Jun. 16, 2014” for the patent in suit). The products sold by
3 the owner of KUM ‘435 before the effective filing date of the patent in suit were
4 also prior art to the patent in suit. *See* 35 U.S.C. § 102(a)(1); Park declaration, ¶ 4.
5 Spigen had first-hand knowledge of KUM ‘435 (and the aforementioned sales of
6 products embodying the elements of the claims in KUM ‘435) before the USPTO
7 began considering the merits of the patent in suit. *See* Exhibit 5 (cease and desist
8 letter to Spigen regarding Spigen’s infringement of KUM ‘435, dated July 3, 2014,
9 and certified as delivered by the Korean Post Office); Exhibit 1 (at “(22)” showing
10 a filing date of patent in suit of December 5, 2014); Sutton declaration, ¶ 4.
11 Therefore, Spigen failed to meet its duty of candor and disclosure to the USPTO.
12 *See* 37 C.F.R. § 1.56.
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15 As alluded to in the previous paragraph, in a cease and desist letter dated
16 July 3, 2014, before the patent in suit was filed, and also before the prosecution of
17 the patent in suit was pending before the USPTO, Spigen was accused by the owner
18 of KUM ‘435 of infringing KUM ‘435 by selling products that are similar, if not
19 identical, to those disclosed and claimed in the patent in suit. *See* Exhibit 5 (cease
20 and desist letter to Plaintiff that is certified by the Korean Post Office as being
21 served on Plaintiff on July 3, 2014). In spite of the foregoing, Spigen never
22 disclosed KUM ‘435, or its corresponding products, to the USPTO. *See* Exhibit 1,
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1 at “(56)” under “References Cited” (hereinafter referred to as the “Cited Prior Art”
2 and showing by its absence that KUM ‘435 was not disclosed to the USPTO);
3 Sutton declaration, ¶ 4.
4

5 As shown in Exhibit 3, KUM ‘435 discloses all of the elements of the
6 independent claims (claims 1 and 16) and some dependent claims (claims 2, 6, 8,
7 10, 11, 13, 17 and 18) of the patent in suit. *See* Exhibit 1 (claims at columns 6, 7
8 and 8 of the patent in suit); *see also* Exhibit 3 (referencing Exhibits 1 and 2 in
9 providing side-by-side the elements of claims 1, 2, 6, 8, 10, 11, 13, 16, 17 and 18
10 and the disclosures of KUM ‘435 corresponding to those claim elements). In view
11 of the information in Exhibit 3, the USPTO would not have issued any of those
12 claims because those claims are anticipated by KUM ‘435 (35 U.S.C. 102), or
13 rendered obvious by KUM ‘435 combined with other prior art such as the Cited
14 Prior Art (35 U.S.C. 103).
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19 In view of the foregoing, the failure of Plaintiff and its counsel to disclose
20 KUM ‘435 is why the USPTO did not at least require modification of at least one
21 of claims 1, 2, 6, 8, 10, 11, 13, 16, 17 and 18 of the patent in suit, and in fact all of
22 those claims, although only hypothetical modification of one claim is sufficient for
23 this motion to be granted for the reasons provided below.
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B. Patent in Suit

1. Basic Information

The patent in suit, entitled CASE HAVING A STORAGE COMPARTMENT FOR ELECTRONIC DEVICES, was filed on December 5, 2014. *See* Exhibit 1 on 1st page at “(22).” A prior provisional application was filed on June 16, 2014, the effective filing date of the patent in suit. *See* Exhibit 1 on 1st page at “(60).” The patent in suit issued on June 2, 2015, to Mr. Dae-Young Kim. *See* Exhibit 1 on 1st page at “(45)” and “(72).” The patent in suit is assigned to the Plaintiff, namely Spigen Korea Co. Ltd. *See* Exhibit 1 on 1st page at “(73).”

The patent in suit is described to be a “case, having a storage compartment, for an electronic device includ[ing] a soft protective case that protects the electronic device installed therein; a hard protective frame, configured to mount over the soft protective case ...; and a cover ... slidably mounted [on the hard protective frame] ... [to] open and close the storage compartment.” Exhibit 1, 1st page at “(57)” under “ABSTRACT.”

2. The File History of the Patent In Suit

The USPTO did not, as it usually does, challenge any claims submitted by the patentee during prosecution of the patent in suit. Therefore, the patent examiner allowed the application for the patent in suit to issue without any modifications to the original claims. Sutton declaration, ¶ 4. KUM ‘435 is not referenced in the file

1 history of the patent in suit. *Id.*

2 **3. The Elements Common to All Claims of the Patent in Suit are found**
 3 **in KUM ‘435**

4
 5 The claimed invention of the patent in suit has, inter alia, the following
 6 limitations in all 22 claims:

7
 8 “A case, having a storage compartment, for an electronic device,
 9 *comprising:*

10
 11 *a soft protective case which comprises a back panel to cover a back*
 12 *portion of the electronic device, ... and a side wall extending form a top*
 13 *surface of the back panel along edges of the back panel ...;*

14 *a hard protective frame, configured to removably mount over the soft*
 15 *protective case, ...*

16 *a cover ... to open and close [for opening and closing] the storage*
 17 *compartment”*

18 See Exhibit 1, at col. 6, line 56 to col. 8, line 4 (claim 1) and col. 8, lines 11-23
 19 (claim 16) for the foregoing limitations. Sutton declaration, ¶ 8.

20 In addition to the foregoing, all 22 claims of the patent in suit also include a
 21 sliding feature of the “cover” that opens and closes the “storage compartment.”
 22 Independent claim 1 states that the “cover” is “slidably mounted ... so that the cover
 23 slides ... to open and close the storage compartment.” The only other independent
 24 claim, claim 16, provides “a cover to slide forward and backward ... for opening
 25 and closing the storage compartment.” See Exhibit 1. All other claims in the patent
 26 in suit are dependent on at least claim 1 or claim 16 and thus have one or the other
 27 of the foregoing sliding limitations. *Id.*

1 KUM ‘435 discloses, among other claim elements, all of the foregoing
 2 combinations of features, unlike any of the Cited Prior Art references for the patent
 3 in suit. *See* Exhibit 3 (claim charts comparing claims 1, 2, 6, 8, 10, 11, 13, 16, 17
 4 and 18 to KUM ‘435); *see also* Exhibit 9 (summarizing the Cited Prior Art and
 5 distinguishing those items from some of the foregoing elements found in all of the
 6 claims of the patent in suit). Therefore, KUM ‘435 is of much greater relevance to
 7 the patent in suit than the Cited Prior Art, either collectively or separately.
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10 **III. ARGUMENT**

11 **A. Federal Rule of Civil Procedure 11**

12 Fed.R.Civ.P. 11(b) requires that the submission or maintenance of any
 13 “pleading, written motion, or other paper” to the Court be based on “the best of the
 14 [submitting] person’s knowledge, information, and belief, *formed after an inquiry*
 15 *reasonable under the circumstances*” wherein:
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- 19 (1) it is not being presented for any improper purpose, such as to harass,
 20 cause unnecessary delay, or needlessly increase the cost of litigation;
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- 22 (2) the claims [of the complaint] ... *are warranted by existing law* or by a
 23 nonfrivolous basis ... [in] ... existing ... or ... new law[; and]
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- 25 (3) the factual contentions *have evidentiary support* or ... will likely have
 26 evidentiary support
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28 Fed. R. Civ. P. 11(b) (emphasis added).

1 In this motion, the first substantive ground for a Rule 11 violation is that
2 Spigen (including its attorneys) have brought a patent infringement claim on the
3 patent in suit that was obtained through inequitable conduct by Plaintiff and its
4 counsel before the USPTO. Inequitable conduct supports an award of attorneys'
5 fees because the patent was obtained from the United States Patent and Trademark
6 Office ("USPTO") in violation of the duty of candor and disclosure imposed on
7 every patentee. *See Taltech Limited v. Esquel Enterprises Limited*, 604 F.3d 1324,
8 1328 (Fed. Cir. 2010); *see also* 37 C.F.R. § 1.56.

12 The second substantive ground for a Rule 11 violation is that claims 1, 2, 6,
13 8, 10, 11, 13, 16, 17 and 18 of the patent in suit are invalid in view of KUM '435
14 alone, or in combination with other prior art. Therefore, any such claims that
15 Plaintiff asserts as being infringed in this case violate Rule 11 for that additional
16 reason. *See, e.g.*, Exhibit 3 provided herewith showing where the elements of
17 claims 1, 2, 6, 8, 10, 11, 13, 16, 17 and 18 of the patent in suit are disclosed in
18 KUM '435.

22 **B. Inequitable Conduct**

23 "Unlike validity defenses, which are claim specific, ... inequitable conduct
24 regarding a single claim renders the entire patent unenforceable." *Therasense, Inc.*
25 *v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1288 (Fed. Cir. 2011) (*en banc*).

27 "To establish inequitable conduct, the accused infringer must prove by clear
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1 and convincing evidence that the patentee withheld material information with intent
 2 to deceive the PTO.” *Taltech*, 604 F.3d at 1328. In short, the elements of
 3 inequitable conduct are materiality and intent to deceive.
 4

5 “[T]he materiality required to establish inequitable conduct is but-for-
 6 materiality. When an applicant fails to disclose prior art to the PTO, that prior art
 7 has but-for-materiality if the PTO would not have allowed a claim had it been
 8 aware of the undisclosed prior art.” *Therasense, Inc. v. Becton, Dickinson & Co.*,
 9 649 F.3d 1276, 1291 (Fed. Cir. 2011) (*en banc*).
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12 “Because direct evidence of deceptive intent is rare, a district court may infer
 13 intent to deceive from indirect and circumstantial evidence.” *Id.*, at 1291.
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15 **1. Materiality**

16 Under the *Therasense* standard quoted above in section III.B., KUM ‘435
 17 has “but-for-materiality” because the PTO would not have allowed at least one
 18 claim [and, in fact, several claims, namely claims 1, 2, 6, 8, 10, 11, 13, 16, 17 and
 19 18 of the patent in suit] had it been aware of KUM ‘435.
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22 As explained above in section II.A., KUM ‘435 was published on April 28,
 23 2014, before the provisional filing date of the patent in suit, namely June 16, 2014.
 24 Therefore, KUM ‘435 is prior art concerning the patent in suit. 35 U.S.C.
 25 102(a)(1); *see also* Exhibit 2, item “(45)” (showing “Publication Date April 28,
 26 2014” for KUM ‘435); Exhibit 1, item “(60)” (showing “provisional application”
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1 date of “Jun. 16, 2014” for the patent in suit).

2 As also shown in the evidence cited in section II.A., KUM ‘435 discloses all
3 of the elements of claims 1, 2, 6, 8, 10, 11, 13, 16, 17 and 18 of the patent in suit
4 and therefore anticipates each of those claims. *See* 35 U.S.C. 102(a)(1); *see also*
5 Exhibit 3 (referencing Exhibits 1 and 2 in providing side-by-side the elements of
6 claims 1, 2, 6, 8, 10, 11, 13, 16, 17 and 18 and the disclosures of KUM ‘435
7 corresponding to those claim elements). KUM ‘435 is thus material to the patent in
8 suit because the USPTO would not have allowed at least one claim had KUM ‘435
9 been disclosed to the USPTO by Spigen. *Therasense*, 649 F.3d at 1291.

13 In the unlikely event the Court concludes that not one of claims 1, 2, 6, 8, 10,
14 11, 13, 16, 17 and 18 of the patent in suit are anticipated by KUM ‘435, the USPTO
15 would also have not allowed the same claims due to the obviousness of a
16 combination of KUM ‘435 and one or more references in the Cited Prior Art or
17 other prior art. 35 U.S.C. 103.

20 It should be noted that there is a high degree of materiality to KUM ‘435
21 here because at least 10 claims would not have been issued if KUM ‘435 was
22 presented to the USPTO during prosecution of the patent in suit, while only one
23 such claim is necessary.

26 **2. Intent to Deceive**

27 In this case, this Court should “infer intent to deceive from indirect and
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1 circumstantial evidence.” *See Therasense*, at 1291.

2 Spigen was accused of infringing KUM ‘435 by a third party in Korea before
3 the patent in suit was being prosecuted in the USPTO. *See, e.g.*, Exhibit 5 (a cease
4 and desist letter that was certified by the Korean Post Office as being sent to
5 Plaintiff on July 3, 2014, several months before the onset of prosecution of patent
6 in suit after December 5, 2014); *see also* Sutton declaration, ¶ 4 (the prosecution of
7 the patent in suit began after December 5, 2014). Therefore, not only did Spigen
8 have knowledge of KUM ‘435, Plaintiff was fully and acutely aware that the KUM
9 ‘435 reference was being asserted as a basis for infringement by Spigen’s own
10 products. That not only raises the spectacle of infringement of KUM ‘435 by the
11 commercial embodiments of the products claimed in the patent in suit; it required
12 Spigen to carefully analyze KUM ‘435. The evidence of intent to deceive the
13 USPTO is thus very strong.

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19 Spigen’s patent counsel during the prosecution of the patent in suit, who is
20 also its litigation counsel in this case, cannot claim ignorance of the high duty of
21 candor and disclosure to the USPTO of material prior art. As a licensed patent
22 attorney, counsel’s intimate knowledge of the duty of candor and disclosure to the
23 USPTO is required. Therefore, if counsel provided competent advice regarding the
24 patent in suit, he informed Spigen of its duty of candor and disclosure. That duty
25 was clearly violated in this case.
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1 In addition to threatening Defendant with a lawsuit for infringement of the
2 patent in suit a few weeks after the patent in suit issued, Spigen also sent a cease
3 and desist letter to Amazon.com demanding that Amazon stop providing a market
4 for Defendant's accused products and threatening a lawsuit against Amazon if it
5 did not comply with Spigen's demands to cease sales of its products. *See* Exhibits
6 6 and 10.
7

8 **C. Invalidity**

9
10 In view of the information provided in the invalidity charts of Exhibit 3,
11 Defendant respectfully submits that independent claims 1 and 16 of the patent in suit
12 are invalid, as well as dependent claims 2, 6, 8, 10, 11, 13, 17 and 18. *See* Exhibit 3
13 (showing elements of the aforementioned patent claims next to the disclosures of
14 those claim elements in KUM '435) and Exhibit 4 (Cited Prior Art); *see also* 35
15 U.S.C. §§ 102 and 103. Some of the materiality evidence and accompanying "but-
16 for-materiality" arguments brought above in conjunction with inequitable conduct
17 are applicable here. Invalidity is a separate reason why the *maintenance* of this
18 case, after Defendant's showing of invalidity on this motion that was served at least
19 21 days before this motion was filed, is a violation of Rule 11. *See* Exhibit 3.
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22 **D. Plaintiff's Counsel's Prosecution of this Lawsuit Is in Violation of**

23 **F.R.Civ.P. 11(b)(1) and (2)**

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25 Finally, in addition to the foregoing, Plaintiff and its counsel knew about
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1 KUM '435 and its relevance to the patent in suit before the complaint in this lawsuit
2 was filed, as well as since that filing. *See, e.g.*, Exhibits 5, 6 and 7. Plaintiff's
3 counsel was informed by Defendant's counsel of the materiality of KUM '435, and
4 provided yet again with a copy of KUM '435 along with Defendant's counsel's
5 response to Plaintiff's counsel's cease and desist letter. *See* Exhibit 7.
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8 Plaintiff's counsel proficiently speaks and reads Korean, as is known by
9 Defendant's counsel, Mr. John K. Park, because Mr. Park previously employed
10 Plaintiff's counsel. Park declaration, ¶ 7. Therefore, Plaintiff's counsel could have
11 and should have thoroughly read KUM '435 provided by Defendant's counsel with
12 Defendant's response to Plaintiff's cease and desist letter. *See* Exhibit 7. That
13 Plaintiff's counsel read KUM '435 is evidenced by the response letter of Plaintiff's
14 counsel, dated July 20, 2015, arguing about the alleged differences between KUM
15 '435 and the claims of the patent in suit. *See* Exhibit 8. Therefore, Plaintiff and its
16 counsel should not have filed this case, or should have promptly withdrawn it upon
17 receiving notice of this motion, but did not do so.
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2 **IV. CONCLUSION**

3 For the foregoing reasons, Defendant requests that the Court issue sanctions,
4 including payment of Defendant's attorneys' fees, against Plaintiff and its counsel
5 under Fed.R.Civ.P. 11.
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9 Dated: October 12, 2015

By: ___/s/ Mark L. Sutton_____
Mark L. Sutton
Attorney for Defendant
VERUS U.S.A., LLC
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